

27 September 2022

Submissions
Electricity Authority
Level 7, Harbour Tower
2 Hunter Street
Wellington

Via email: network.pricing@ea.govt.nz

SUBMISSION ON SETTLEMENT RESIDUAL ALLOCATION METHODOLOGY

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Settlement Residual Allocation Methodology' from August 2022.

ERANZ is an industry association representing companies that sell electricity to kiwi households and businesses. Our members supply over 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

ERANZ and electricity retailers support the Authority's proposed 'Simple BB' option for allocating rebates to parties using congested grid parts.

ERANZ reiterates our support, expressed in our 28 February 2022 submission to the Authority, that "distributors should pass their [settlement residual] rebates through to their customers each month, using distribution charges as an allocator". This is based on the principle that distributors should pass their rebate through to the ultimate customers.

It is important to note that the Code does not define "customers". This means the current drafting of the proposed Code amendment creates an ambiguity as to who the rebate may be paid to by the distributors as the existing obligation is that the distributor pays it to "customers", as that term is used in clause 12A.3(2). Defining this term will be required to amend the SRAM successfully.

ERANZ favours monthly pass-through; this was the view expressed in our earlier submission because this supports the Authority's approach stated in paragraph 5.18: "competition will provide an incentive for retailers to repackage all the costs they face - including charges for transmission services (i.e., transmission charges, rebates and nodal prices) - into the form of charges that are most attractive to retail customers."

ERANZ supports, in general, the full pass-through obligation approach that the Authority has set out in paragraphs 5.27 to 5.30 of the consultation paper. Our position is based on the reasoning that full pass-through is more transparent, more closely tied to overpayments, and more economically efficient.

Multiple distributor methodologies under the limited pass-through proposal will introduce inconsistency and uncertainty, resulting in inefficiencies that will likely add costs for retailers. It

will likely reduce the proportion of the residual reaching end consumers through competitive forces. However, there could be a provision for distributors to apply for a dispensation to apply non-standard distribution where appropriate, for example, for very small distributors.

Conclusion

ERANZ thanks the Authority for its work on this issue and is happy to provide any further information on this submission as required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Clark', with a long, sweeping horizontal stroke extending to the right.

Kenny Clark
Policy Consultant